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ABSTRACT

In response to the nationwide trend toward increased financial pressures and growing demands by state legislatures for accountability, several large universities (including Indiana University) have adopted various forms of "responsibility center budgeting" (RCB), which has fiscal implications for programs in speech communication and related disciplines. In responsibility center budgeting, part or all of tuition and sponsored research revenues are returned to a unit in direct proportion to what is earned. The large service role assumed by speech communication programs cannot be taken for granted, especially if the units being serviced will have a fiscal incentive in the future to offer their own courses. When costs of equipment are passed along to faculty consumers, a new budgetary perspective is gained. If a strictly dollar-and-cents mentality were to drive RCB, and credit hours were the sole measure of productivity, then many classes in speech communication (and other courses requiring small class sizes), would be in trouble. RCB could put co-curricular or intercollegiate programs in jeopardy, particularly if a center director were placed in a desperate financial situation. The matter of off-campus offerings can be resolved by assigning full academic credit to the department. Overall, despite the potential pitfalls of RCB, the implementation of the system during the early developmental years at Indiana University Indianapolis has suggested that it has the potential to serve as a prototype for helping state-supported institutions successfully meet the fiscal challenge of the 1990s and beyond. (RS)

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Prospective Impact of Responsibility Center Budgeting on Communication and Theatre Programs: View From a State Supported University

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INTRODUCTION

An August report by the American Council on Education revealed that last year "the most severe financial pressures in a decade were the dominant concern of higher education leaders as they scrambled to keep their institutions fiscally stable" (Nicklin, 1992, p. A25). Nearly 60% of all colleges and universities experienced cuts in their operational budgets in 1991-92, and many had to raise tuition, freeze faculty hiring, and delay building repairs. They are looking for ways to educate more students on less money.

And this is happening at a time when more and more of our public four-year institutions are facing increased challenges from their legislatures. Demanding more "accountability," states are establishing policies that require colleges to "demonstrate efficiency, quality, and sound stewardship of public money" (Lively, 1992, p. A25).

This then appears to be a propitious time to explore a new approach to budgeting, one that is generally known as "decentralized" or "responsibility center" budgeting. Perhaps it can provide a means for "sound stewardship of public money." While centrally controlled budgetary systems pervade higher education, some experts have suggested that "at some colleges and universities, a trend toward decentralization of authority and responsibilities is emerging" (Hyatt & Santiago, 1986, p. 7). This decentralizing system is designed for institutions with

larger scales of operation, and it is not envisioned for the many universities--some 840 in the United States--that enjoy the intimacy of having fewer than 1,000 students each. To this point, some eight larger universities have adopted various forms of responsibility center budgeting, and seven of these are private institutions: Cornell, Harvard, Johns Hopkins, University of Miami, Penn, USC, and Washington University of St. Louis. The eighth, Indiana University, is the only state supported institution which has that budgetary structure. Our system at IU is still in its formative stages; the first campus to implement it was my own at IU, Indianapolis. We started on July 1, 1989, but the mechanisms for it were in place well over a year before that date.

As a member of the Budgetary Affairs Committee and Chair of Communication and Theatre at IU, Indianapolis, I have become greatly involved and concerned with responsibility center budgeting. Here I wish to focus on the fiscal implications such a system can have for programs in speech communication and related disciplines.

DEFINITIONS

First, a brief definition of RCB. There are different kinds of centers to fulfill an institution's functions at different levels. These were set forth by Dr. Edward Whalen, who was IU Director of Budgeting and a chief developer of the new system in late '80's. In his book,

Responsibility Center Budgeting, he emphasizes that "academic responsibility centers carry out the institution's primary missions in teaching, research, and public service. Support centers, grouped to reflect administrative structure, provide services to the primary mission units in the form of academic support, institutional support, and operation and maintenance of physical facilities" (1991, p. 13). Communication and Theatre at Indianapolis is in the School of Liberal Arts. Other academic centers are Science, Engineering and Technology, Business, Law, Medicine, Nursing and the list goes on. Those academic centers generate portions of their income through tuition and funded research. Support units charge academic centers for their services. Of course, no unit is completely self-supporting. As Whalen puts it, they are all "on the dole."

While some operational differences exist, it generally can be said that, "in responsibility center budgeting, part or all tuition and sponsored research revenues are returned to a unit in direct proportion to what is earned. The unit controls its own pricing policy and is, in turn, responsible for payment of all, or nearly all, of its costs. Surpluses remain with the unit; deficits must be made up by the unit in succeeding periods. The incentive to efficient production of what the market demands is obvious" (Berg, 1985, pp. 69-70).

The philosophy behind the system is that there will be a centralized, coordinated university mission, which higher

academic administration can oversee in cooperation with the responsibility center managers, i.e. deans or directors of designated centers. The bulk of resources is allocated to and managed at the center level, because the managers, who are closest to the program, are presumed to have better perspectives on their own fiscal operations. As Whalen suggests, "in a healthy institutional setting, responsibility center budgeting provides an environment in which deans can bring to bear their incomparable expertise in making choices about their program. Such decisions are not easily made either by a school or by central administration. So why not have them made by the schools, where the likelihood of an optimum decision is greatest" (Whalen, 1991, p. 145). A key term here is "healthy institutional setting." This does not mean "consensus" planning and budgeting, such as that at Washburn University, a smaller institution where it might be feasible. But, as with those smaller consensus planners, the success of all decentralized budget systems does require that center managers at least become "involved, committed, and accountable for their decisions" (Green & Monical, 1985, p. 63).

Before analyzing general pro and con issues that just indirectly affect programs in our discipline, let us examine those elements that have the strongest prospective impact on our programs in light of their inherent characteristics.

SERVICE COURSES

Many of the communication arts and sciences departments, with their various disciplinary configurations, are situated in schools of arts and science or liberal arts, that fulfill a significant service mission for some of the more professional or career oriented areas. For instance, although my Department has some five hundred majors, it currently generates nearly eight thousand credit hours per semester, a large majority of which are in service courses for other centers. Our large, multiple-section courses, taken by students from outside our responsibility center, include fundamentals of speech communication, interpersonal communication, and business and professional communication, not to mention our smaller multi-section offerings such as group process and interviewing.

Under a typical RCB, the income can be allocated according to either where the students declare their majors or where the credit hours are taught. IU has adopted the latter, and that choice for earned income affects our Department as well as the center in which we are situated. The significance of this was articulated by Whalen in his study of units on our campus: "Among the centers, earned income as a percentage varies from a low of 21 percent for the School of Nursing to a high of <u>96 percent</u> [italics mine] for the School of Arts and Humanities" (Whalen, 1991, p. 85). In theorizing about implications, he noted that "one of the first concerns was that professional schools would

begin offering service courses to capture additional student fee income. Imagine the School of Engineering and Technology offering art appreciation courses." Because of this possibility of "anarchy in course offerings among schools" in their competition to "attract student fee income," Whalen admonished that monitoring was necessary. "Responsibility center budgeting is not a substitute for strong, courageous central leadership; indeed, the system requires it" (Whalen, 1991, pp. 158-9).

Certainly it would be difficult to imagine the School of Engineering and Technology offering art appreciation courses, but perhaps less difficult to see such a center teaching speech communication courses such as those currently offered by Communication and Theatre. Coincidentally, our Department recently had been experiencing an enrollment decrease in one of its offerings. We subsequently learned that one of our associate faculty members had designed an upper-level oral communication course for Engineering and Technology, and was teaching it as an associate in E & T's "Technical Communications" (TCM) area, in addition to teaching courses for us. Except for the inclusion of more units than we would attempt in one class, the description of that course includes much of our advanced service offering:

> 370 Oral Practicum for Technical Manager (3 cr). Class 3, P: Comm C110 with grade of C or better. Development and application of effective listening

> and speaking skills in situations typical for managers and supervisors in technology and engineering: one-to-one conversation in job management, hiring interviews, and performance reviews; group discussion in work units, committees, and task forces; informal presentations to small groups; formal presentations to large groups" (School of Engineering and Technology, 1989-91, pp. 70-71).

This is not an indictment of the deans of the schools involved, as they were apprised of the situation only recently, and they are now exploring the matter. Moreover, it is not to suggest that RCB is the only factor behind E & T's new addition; nor is it a scream that "the sky is falling." Nonetheless, it is recognition that the large service role assumed by speech communication programs cannot be taken for granted under any circumstances, especially if the units being serviced will have a fiscal incentive in the future to offer their own courses.

In his study of market economy techniques in academia, the assistant vice-president for management planning in the University of Minnesota system noted: "While in theory, a unit should . . . be able to choose between teaching a course itself or buying it from another unit, this may create problems at the university level. These problems are not insuperable, as experience [at Penn., Washington U., USC

and Harvard] shows" (Berg, 1985, p. 70). Nevertheless, they are problems to be addressed by speech communication administrators under such a structure.

EQUIPMENT

Another issue affecting our departments has to do with equipment. Many have become accustomed to technological conveniences. Even our most fundamental sections make use of VCR's and numerous other electronic audio-video delivery systems. In the past, this equipment, along with space, utilities, library acquisitions and services, academic computing, and maintenance became regarded as "freebies" or "perks" by faculty. When those costs are passed along to the faculty consumers, a new budgetary perspective is gained.

When goods and/or services are essential to effective teaching in our discipline, we must ask (1) can we afford to purchase these from a support center, (2) must we do without, or (3) is there a feasible alternative? At the outset of the new fee-charging system, our Department was assisted by the Dean of our center in equipping three of our performance classrooms with VCR's, overhead projectors, and most other equipment needed for the operation of our program. The rooms and equipment are used exclusively by our Department faculty and staff, and we schedule classes steadily in them on regular weekdays and evenings, as well as on Saturdays and Sundays--we have a busy weekend college

program. Our Department is busy enough to maximize use of the equipment. But what about departments that might purchase their own equipment because it's cheaper, and then leave it sitting several hours per week? That appears to forbode problems of fragmentation and duplication--an issue to be addressed.

Telecommunications equipment becomes especially problematic. We have owned all our telecomm. equipment from the time of the program's inception during the late '70's. There are many students with major emphases in Telecommunications, but the equipment and specialized requirements for its classroom usage make the cost per credit hour relatively high. Even added student lab fees will have a difficult time trying to compensate for the purchase of new, ever-changing technology. While costly equipment investments are common in science, engineering, technology, and other areas, they are much rarer in the arts and humanities. Despite the value of such a program educationally, societally, or in other ways to the University's mission, it is subjected to the decision of one responsibility center manager who might perceive its removal as a fast way of trimming expenditures within the narrow constraints of her/his allocation.

CLASS SIZE

Another factor that must be faced by some areas of our discipline has to do with class size. If strictly a dollars

and cents mentality were to drive RCB, and credit hours were the sole measure of productivity, then many of our classes would be in trouble. Some academic disciplines might lend themselves more readily than ours to large lecture classes that can guarantee abundant student tuition-fee income on a credit hour basis. Many classes in Speech Communication, Theatre, Telecommunication Production, and such other areas as English Composition and foreign languages, require a low teacher-student ratio with more individualized instruction. That does not mean that we cannot or should not work toward more effective delivery systems so long as they do not dilute the quality of education received.

Fortunately for our Department, the necessity for smaller class sizes is generally recognized by the Dean and the central administration, and quality education remains a priority in budgetary allocations. What our discipline must keep in mind, however, is that there must be a way to clearly measure accountability as well, to assess the performance of our faculty in relation to such matters as class size. Even though performance is difficult even to approximate, we cannot try to separate resource allocation and assessment--this is a tenet of RCB. In his Making the Budget Process Work, David J. Berg tells us that, "like it or not the resources of an institution are a function of what its clientele perceive as its performance. They will continue to look for measures of performance and so must we . . .. Unless we use that assessment in internal resources

allocation, the incentives for our faculty . . . will be separated from the goals of the institution . . .. This does not mean that resources should be rigidly tied to some simple enrollment measure . . .. Yet decision makers must use some criteria to allocate scarce resources. Those criteria, now and always, are going to involve performance measures" (Berg, 1985, p. 75). Small classes and light teaching loads are less of a given under RCB. We must be certain of the rationale behind our faculty assignments.

CO-CURRICULAR PROGRAMMING

When so much of a center's income depends on tuition and fees, another concern emerges for departments such as ours, because we tend to feature co-curricular and extra-curricular activities that require fairly large expenditures vis-a-vis the credit hours generated. Coming readily to mind is co-curricular theatre, which offers productions for the university community and beyond. This requires non-teaching personnel to perform the sizeable technical and business assistance required. There is also a comparatively large budget for the purchase and maintenance of equipment and materiel.

During economically hard times, the RCB manager is faced with cutting back expenditures. Does she or he cut out courses here and there, particularly when those courses generate income and/or are taught by tenured or tenure-track faculty? Or does that manager eliminate the relatively costly co-curricular portion of the theatre, releasing only

non-tenure-track staff and concomitantly avoiding the purchase of equipment and materiel?

This is a special paradox in that the cost for co-curricular theatre can be the sole financial responsibility of one center, as it is at our institution, and yet the function of that program is for the entertainment and artistic enlightenment of the entire University and surrounding urban community. In such instances, perhaps we should argue that budgetary subsidization needs to be at a level commensurate with the function and purpose of the activity.

Similar analysis could be made of intercollegiate debate programs that are sponsored completely, or in part, by an academic center. The academic extra-curricular or co-curricular value of such activity is legend, confessed to by participants from many different schools on campuses. But RCB could put such programs in jeopardy, particularly if a center director were placed in a desperate situation, having to make a decision on the basis of money regardless of academic value.

OFF-CAMPUS OFFERINGS

Another structural dilemma weighing strongly on speech communication programs has to do with off-campus offerings. Just as our Department participates extensively in the Weekend College, it offers many semester-long courses for college credit in the Learn and Shop Program, i.e. once-a-

week sessions at training rooms in department stores, and in the Continuing Education Program, i.e. once-a-week sessions in evenings at high schools throughout the city. Whalen recognized this problem when he noted: "Delivering off-campus courses for degree credit presents a different issue. Who is in charge? The unit which identifies demand for the courses, finds facilities, and makes other administrative arrangements, or the academic units whose courses are being offered?" (Whalen, 1991, p. 21). At our campus, the matter has been resolved, with full academic credit being assigned to our Department for courses we teach off-campus.

These, then, are some of the issues of RCB that relate most directly to departments in our discipline, and most have been addressed at IU, Indianapolis, during these formative years.

GENERAL RCB ISSUES

Finally, there are some general pro and con observations of decentralized budget systems for us to consider. Several advantages of the system already have evolved in previous discussion. They include the probability of more knowledgeable decisions because they are made at a lower level by parties closest to implementation. Also, a responsibility center should have more flexibility in controlling its budget --incentives are given for not spending in budget categories that are currently "free" (e.g. space) or fixed (e.g., spending in one category where you do not need something just because year-end closing is

approaching). In other words, the old fiscal year philosophy of if-you-don't-use-it-you-lose-it is removed. Responsibility centers can have overhead from grants returned to them, with the result not only of increased incentives to obtain grants, but also with the result that the overhead will be spent in ways more directly related to research and other academic priorities. And, because it has a "businesslike" approach, there is the possibility that it would go far toward assuring state legislatures and other clientele of higher education that their money is being handled scrupulously.

Potential disadvantages of the system can be overcome with careful planning, but they should be noted just the same. A major concern is that the central mission of an institution could be obstructed by uncoordinated, anarchical decisions. Hyatt and Santiago forewarned against this, when they wrote: "As authority is decentralized, additional effort must go into communicating and monitoring plans and policies so that a coordinated institutional direction is maintained and conflicting and/or suboptimal decisions are avoided" (1985, p. 7).

Responsibility center fragmentation at its worst could lead to each unit's attempting to develop as much internal to itself as possible, such as course requirements, libraries, or computing centers. There could be duplication of function and loss of control. Teaching could focus only on the most popular subjects in the largest classes with the

cheapest part-time faculty when possible. Upper division courses, which might provide greater intellectual growth and capitalize upon the expertise of full-time professors, could be replaced by lower level courses which would attract greater enrollment income. Estelle James repeated the warning that "while decentralization may solve the informational problem, it creates a host of other problems since the goals of these decision makers may differ and, in fact, conflict" (1990, p. 79). Yet, James recognized that "control-planning, provision of incentives, monitoring, and strategic behavior" could play a significant part in the success or failure of such budgeting.

CONCLUSION

There are still many issues to be resolved in the new budgeting system. Our communication program continues to make adjustments to demands that have arisen. We have been forced to study even more carefully the budgetary implications of curricular decisions in communication, and to make projections that will promote quality education while averting long-range financial shortfalls or disaster.

Overall, despite the potential pitfalls of RCB, the implementation of the system during these early,

developmental years at IU, Indianapolis, has suggested that it has the potential to serve as a prototype for helping state-supported institutions successfully meet the fiscal challenge of the 1990's and beyond.

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